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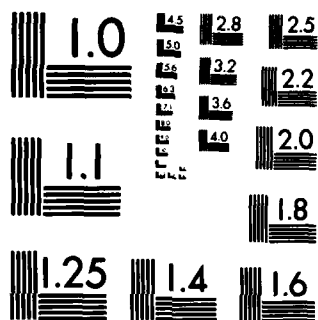
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CHINA AND TAIWAN IN 1983

Jonathan D. Pollack

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CHINA IN 1983*

- During 1983 China continued its movement away from the radical, convulsive policies of the Maoist era and towards policies favoring economic growth and political stability. In domestic affairs, China's leadership emphasized consolidation, institutionalization, and a wide-ranging agenda of political and administrative reform. In the economic sphere, efforts continued to devise a strategy favoring agricultural and light industrial production, diminishing the importance of heavy industry and curtailing excessive expenditures on capital investment. In foreign policy, the leadership reinvigorated its efforts to achieve a stable, non-confrontational external environment that would facilitate China's economic development objectives. Although some doubts persisted about the prospects for stability in Chinese policymaking, the continued successes of China's reformist leadership, effectively headed by Deng Xiaoping, augured well for the future.

Domestic Affairs

Chinese internal politics revealed a continuing concern with institutionalizing the succession to Deng Xiaoping (now approaching his eightieth birthday) and guaranteeing the continuity of his policies. Deng redoubled his efforts to weed out incompetent or aged officials opposed to meaningful reform, to recruit younger, technically skilled cadres committed to Deng's reformist course, and to scrutinize the political credentials of the entire membership of the Chinese Communist Party (CCP), now numbering more than forty million people. The July 1

*This Paper is adapted from essays that will appear in the *Britannica Book of the Year-1984*, The Encyclopedia Britannica, Chicago, 1984.

publication of Deng's *Selected Works*, a compilation of articles and speeches delivered between 1975 and 1982, provided the most comprehensive statement of Deng's reformist initiatives. Rather than presaging the development of a "cult of personality," Deng's writings were intended to serve as the official policy guidelines for China's continuing movement away from the policies of Mao Zedong, the deceased Party Chairman who had led the CCP for more than forty years until his death in 1976.

The concerns of the leadership with fealty to Deng's political reforms extended to all levels of the Chinese Communist Party. In mid-October, the CCP Central Committee initiated a major rectification campaign directed against "serious impurities in ideology, work style, and organization" among Party members. The campaign, scheduled to culminate in three years with the reregistration of all Party members, was intended in part to expel those who had risen to prominence during the Cultural Revolution of the late 1960s and early 1970s, when radical leaders dominated Chinese internal politics. Many of these officials remained entrenched in their local power bases, where they had sought to prevent full implementation of Deng's reforms.

The rectification campaign was the final step in Deng's effort to set China irrevocably on a new political course. The focus of his political and administrative reforms remained unchanged: the restructuring of China's bloated, overlapping bureaucracy, the avoidance of excessive concentration of power, the abolition of lifelong tenure in office, the clearer demarcation of lines of leadership authority, and the establishment of mechanisms that would enable the recruitment and steady promotion of younger officials into positions of responsibility.

The rectification campaign, however, was also aimed at liberal critics of Deng's policies. In Deng's view, various intellectual and literary figures were far too critical of Chinese socialism and much too enamored of Western forms of artistic expression. In late October, the official media launched harsh attacks on those susceptible to Western influence, arguing that various "spiritual pollutants" were undermining China's socialist system and introducing "unhealthy trends" into Chinese intellectual debate. These attacks quickly reached high leadership levels. Zhou Yang, a long-time leading Party official responsible for

literary and artistic matters, admitted his ideological error in arguing that alienation was possible under socialism as well as capitalism. In mid-November, the dismissal of two of the ranking officials of *People's Daily*, the CCP's official newspaper, portended a major clampdown on political and intellectual expression when it diverged from officially sanctioned viewpoints.

The Chinese leadership insisted that these developments did not presage widespread purges or renewed political instability reminiscent of the Cultural Revolution. But the rectification campaign indicated that Deng's political agenda was still encountering substantial opposition. On the political left and within the armed forces, there were complaints that Deng and his political allies had moved too quickly in dismantling Mao's political legacy and in displacing aged leaders. The creation of a Party advisory commission, however, enabled senior leadership figures to make a graceful exit from the political scene, and without infringing excessively on the personal privileges enjoyed by such leaders. In early March, Ye Jianying, at age 86 one of the few surviving Marshals of the Chinese army and an intermittent critic of Deng's efforts at deMaoization, stepped down from the Chairmanship of the Standing Committee of the National People's Congress, thereby removing a potential source of resistance to Deng's initiatives within the politically very powerful Chinese military establishment. Li Xiannian, a veteran economic planner whose political longevity also matched that of Deng, was appointed to the long-vacant position of President, providing China with its first chief of state since the mid-1960s. Although the position remained largely ceremonial, Li's appointment was expected to dampen his past opposition to the full range of Deng's reforms.

Economic Affairs

Chinese economic planners continued to grapple with the extremely complicated tasks of restructuring China's economic system and defining an effective, politically acceptable strategy for economic development. The overall goal of quadrupling China's agricultural and industrial output between 1980 and the year 2000 remained the subject of substantial leadership debate. Although few expressed open reservations

about China's capability to achieve this objective, many found the goal unrealistic.

Even more important, concentration on high growth targets threatened to undermine continuing efforts at structural reform of the Chinese economic system. At the meeting of the Sixth National People's Congress in early June, Premier Zhao Ziyang, one of the leading advocates of economic reform, reiterated the leadership's commitment to China's new economic strategy and warned of potential threats to the reformists' efforts. Zhao announced that for the remainder of the period of China's Sixth Five Year Plan (1981-1985) China should adhere to a strategy of moderate economic growth (i.e., approximately 4 to 5 percent a year) and continue to maintain very strict limits on capital expenditure. Zhao had to fend off pressures from the advocates of higher levels of investment in major development projects, who favored China's heavy industrial sector at the expense of agriculture and light industry, as well as from supporters of greatly increased autonomy for individual enterprises and factories.

These competing pressures were discussed extensively in October by Bo Yibo, a senior economic planner and Vice Chairman of the Party Advisory Commission. According to Bo, consumption and capital construction had both "gone out of control" during 1982, outstripping the state's available financial and material resources. Most of these increases were attributable to projects undertaken by localities, provinces, departments, and enterprises, but outside the scope of the Five Year Plan. The total amount of these investments had grown by more than two and a half times in only three years, and now constituted half of China's total investment in capital construction. Some industries and localities had grown at an unexpectedly rapid rate, leading to further economic imbalances and prompting fears of excessive inflation, since approximately 85 percent of the increases in national income had been allocated to higher wages, worker bonuses, and higher prices for agricultural and consumer products. In Bo's view, the Chinese economy needed to achieve real growth (i.e., increases in productivity), rather than production for production's sake.

At the same time, the leadership's commitment to improving living standards and enhancing local autonomy were not blank checks to circumvent the central planning apparatus. Careful controls had to be maintained on both consumption and capital expenditure, lest the state lose too much of its authority over economic decisionmaking. The policies of economic reform had contributed to significant new opportunities for individual initiative, and had begun to permit the operation of market forces, especially in the Chinese countryside. The largest challenge for Chinese planners was to continue these new policies without undermining China's adherence to a socialist system and the central planning process.

These dilemmas were most pronounced in Chinese agriculture, where the peasantry in recent years had assumed increased responsibility for production, shifting authority away from higher levels of political and economic organization. According to the new arrangements, upon completion of their output quotas peasants could retain any additional earnings rather than return them to the state. These policies had resulted in dramatic increases in agricultural production and in the income of numerous peasant households. Yet some officials voiced concern that the new "responsibility system" was too close to capitalism, thereby undermining China's official ideology.

In view of the extraordinary success of the responsibility system in agriculture, major efforts were undertaken during the year to introduce similar arrangements in Chinese industry and commerce. In June, all state-owned industrial enterprises officially assumed responsibility for their own profits and losses. Rather than simply returning any profits to the state, factories would now be required to pay taxes to the state on their profits, with the individual enterprises free to use their residual earnings for worker bonuses and investment decisions. In addition, enterprises were granted significant new powers to hire and fire workers on the basis of their job performance. Despite the boldness of such experiments, it remained to be seen how workable they might prove. For example, some advocates of reform felt that the new responsibility system would never approach its full potential unless the state also allowed significant price reforms.

Over the longer run, China still had to devote vast resources to infrastructural development to rectify many of the bottlenecks confronting the modernization program. The largest constraints impeding Chinese economic development included severe energy shortages in Chinese industry, a woefully underdeveloped transportation network, outmoded industrial facilities, an inefficient research and development process, and acute shortages in skilled manpower. These infrastructural requirements made imperative the curtailing of non-essential capital construction, which threatened to divert crucial financial and material resources from the 120 key development projects that focused on energy, transportation, communication, and raw materials supply.

These infrastructural needs also helped assure China's continued commitment to acquiring technological assistance from abroad, especially from the United States and Japan. Chinese planners announced that they intended to import approximately 3,000 items of advanced technology between 1983 and 1985 to help upgrade China's industrial capabilities. To pay for increased purchases of machinery and finished industrial products from abroad (for example, high grade steel), China had to increase its exports of petroleum, petroleum byproducts, and textiles. Agreements with a number of foreign oil companies for joint exploration of China's promising offshore oil reserves underscored Beijing's long-term stake in technological and economic cooperation with the advanced capitalist states.

Foreign Affairs

China continued to define its international role as an independent major power that stood apart from alignment with any other major power. The PRC sought simultaneous improvement of both Sino-American and Sino-Soviet relations, even though Beijing continued to castigate both superpowers for their "hegemonist policies." At the same time, Chinese diplomacy was highly active among the Third World nations. During his first full year as Minister of Foreign Affairs, Wu Xueqian repeatedly emphasized China's commitment to the goals of "safeguarding world peace and resolutely opposing hegemonism." The Chinese recognized that a long-term peaceful international environment was essential to the PRC's plans for economic development.

Sino-American relations experienced a marked upswing during 1983. During the first two years of the Reagan administration, relations between Beijing and Washington had deteriorated sharply, as differences over the Taiwan issue and other bilateral disputes increasingly clouded the relationship. The two sides weathered disputes over the U.S. imposition of limits on Chinese textile exports to the United States and over Washington's granting political asylum to a young Chinese tennis star. Both countries also maintained a lower profile on the Taiwan question and the continuation of limited U.S. military sales to the island.

Perhaps most important, the United States undertook a major effort to meet China's increasingly explicit requests for sophisticated U.S. technology (for example, advanced computers) with both civilian and military applications. In May, the United States announced that China had been placed in a different category (Category V) for export of various sensitive technologies, confirming China's status in U.S. eyes as a "friendly, modernizing, non-aligned country." This decision granted China access to a much wider range of advanced equipment. Many of the terms of technology transfer, however, remained to be resolved. In particular, the United States continued to insist that China not transfer any sensitive technologies to third parties. Substantial progress was also achieved on Sino-American cooperation in the civilian uses of nuclear energy, potentially including sales of U.S. commercial nuclear reactors to the PRC.

The improvement in U.S.-Chinese relations was amply demonstrated by a major increase in high-level leadership visits. Three members of the Cabinet visited China during 1983, and each visit helped rebuild and improve upon relations that had been seriously damaged in the preceding two years: Secretary of State Shultz in February, Secretary of Commerce Baldrige in May, and Secretary of Defense Weinberger in September. Foreign Minister Wu also visited Washington during October. In addition, the two sides reached agreement on two major trips to occur in 1984: the long-delayed visit of Premier Zhao Ziyang to the United States, scheduled for January, and a visit to China by President Reagan in April. Minister of National Defense Zhang Aiping also planned a visit to the United States during early 1984.

Regardless of various differences and disagreements, Washington and Beijing demonstrated their keen interest in collaboration in areas of mutual concern and benefit. Irritants nevertheless continued to threaten the relationship. In mid-November, China complained that a Senate Foreign Relations Committee resolution calling for the peaceful settlement of the Taiwan issue infringed on Chinese sovereignty, and posed renewed risks to improved relations. Beijing also took issue with the U.S. insistence that China's proposed entry into the Asian Development Bank not lead to the expulsion of Taiwan, one of the Bank's founding members. But both states acknowledged that deteriorating relations ran the risk of damaging prospects for stability and cooperation in East Asia.

Similar concerns were reflected in Sino-Japanese relations. During the latter half of 1982 and early 1983, the Chinese had accused some Japanese leaders of promoting the return of "Japanese militarism." Despite China's reservations about the prospect of an expanded Japanese security role in East Asia, the need for close economic and political relations between Japan and China remained paramount. After a 30 percent drop in Japanese exports to China in 1982, trade accelerated again in 1983, and Japan seemed certain to remain central to China's foreign trade calculations. The November visit of Party General Secretary Hu Yaobang to Japan--his first visit ever to a non-communist country--further underscored Japan's importance to China.

Sino-Soviet relations also experienced some improvement in 1983, although no major breakthrough in relations between the world's two major communist powers occurred. The death of Leonid Brezhnev and the accession of Yuri Andropov to the Soviet leadership in November 1982 had taken place at virtually the same time as the initiation of Sino-Soviet consultations at the vice ministerial level aimed at the normalization of relations. The visit of then Foreign Minister Huang Hua to represent China at Brezhnev's funeral--the first member of the CCP Politburo to visit Moscow in nearly two decades--had provided an opportunity for a renewed leadership dialogue that continued throughout 1983. During March and October, the Soviet and Chinese Vice Foreign Ministers exchanged visits to one another's capitals. In addition, M. S. Kapitsa,

the Soviet Foreign Ministry's ranking Asian expert, traveled to China in September and held discussions with Foreign Minister Wu Xueqian. These consultations and discussions resulted in plans to increase Sino-Soviet trade in 1984 to more than \$1.6 billion, double the 1983 figure and more than five times the figure for 1982. In comparison with China's economic ties with the West, however, this trade remained miniscule: two-way trade in 1982 between China and Japan amounted to more than \$8.8 billion, and U.S.-China trade in 1982 totalled approximately \$5.2 billion. In addition, the Soviet Union offered to refurbish some of China's aging industrial facilities that had been built by the USSR during the 1950s. Sino-Soviet cultural, scientific, and athletic exchanges also increased appreciably, with China announcing plans to send a limited number of students for study in the Soviet Union.

Both publicly and privately, however, the Chinese made clear that Sino-Soviet political relations would not improve significantly unless Moscow began to address what Beijing termed the "obstacles" impeding better relations. China repeatedly called upon the Soviet Union to alter its actions that threatened Chinese security: the Soviet occupation of Afghanistan, Soviet backing for the Vietnamese occupation of Kampuchea, and the Soviet military presence in Outer Mongolia and along the Sino-Soviet border, including the deployment of more than 100 SS-20 intermediate range missiles east of the Urals. According to Chinese officials, unless the Soviet Union seriously addressed these concerns, China would not consider a wider range of Soviet political initiatives, including elevating the consultations to the ministerial level and the signing of a document on the principles governing interstate relations.

China also was engaged in sensitive, difficult negotiations with Great Britain over the future of the British colony of Hong Kong. This remarkably vibrant capitalist enclave along China's southeastern coast is home to 5.5 million people, more than 98 percent ethnically Chinese, most of whom had fled China's communist system. The expiration of the British lease on Hong Kong Island in 1997 and British expressions of concern over Hong Kong's future had led to a series of high-level negotiations between London and Beijing during 1983. China repeatedly made clear its intention to recover sovereignty over the island, while

also stressing that China would demonstrate due regard for the prosperity of the citizens of Hong Kong. But Beijing's negotiators insisted that Great Britain could not play a continuing role in governance of the island. The prospect of the PRC asserting political control over Hong Kong--even by indirect means--led to mounting anxieties about the island's future, and were reflected in the flight of capital and declining stock market and real estate values. Yet China reiterated that, without an agreement with Great Britain before the fall of 1984, China would unilaterally announce its policy stand on the future of Hong Kong.

A different and wholly unanticipated negotiating challenge confronted Chinese officials during early May, when a Chinese airliner on a domestic flight was hijacked to South Korea. Despite the fact that China and the Republic of Korea maintain no official relations and that China is closely aligned with South Korea's long-term enemies in North Korea, the Civil Aviation Administration of China almost immediately proposed direct negotiations with Seoul. For the first time in more than 30 years, representatives of the two governments negotiated on an official, bilateral basis, with Shen Tu, Director General of the CAAC, signing a document in which both states' official names were used. As a result of these joint efforts, the aircraft, crew, and passengers (excepting the hijackers) were all returned to China within a matter of days. Although China subsequently denied that the document or the direct negotiations had any political significance, China had clearly recognized the imperative need to deal directly with a functioning government in Seoul, even if it caused some embarrassment and difficulties for its relations with Pyongyang. In this instance, as well, China demonstrated its concern for stability in East Asia, even if Beijing's actions posed a direct challenge to China's long-standing ideological and political convictions.

TAIWAN IN 1983

—The island of Taiwan persevered in its effort to remain politically and economically viable in the face of continuing pressures to conciliate with the Communist government on the Chinese mainland. Five years after U.S. derecognition of the Nationalist government and an

equally lengthy effort by Beijing's leaders to achieve reunification, Taiwan staunchly maintained its policy of refusing to negotiate with the People's Republic of China. Although fewer than two dozen states still maintained official diplomatic relations with the island, Taiwan registered important gains in its unofficial ties with states that accorded formal recognition to Beijing.

Taiwan's success in resisting formal association with the PRC government rested on two principal pillars: unhampered commercial dealings with the outside world and continued American political and military support. In the economic arena, Taiwan enjoyed trade relations with nearly 150 states; virtually all the major Western countries now maintained semi-official trade offices in Taipei. Two-way trade in 1982 totalled more than \$40 billion in U.S. dollars (a modest decrease from 1981), with Taiwan enjoying a record balance of payments surplus in excess of \$3 billion. Despite the impact of the global recession on Taiwan's export oriented economy, the island resumed unexpectedly rapid growth in 1983, with trade for the year likely to surpass \$44 billion. Trade with the United States alone in 1983 was expected to exceed \$15 billion, or close to three times the amount of U.S. trade with the PRC. Taiwan's *per capita* income in 1982 reached \$2,342 in U.S. dollars, a standard of living in Asia second only to Japan.

Taiwan's biggest gains in 1983, however, occurred in the field of commercial aviation. In April, China Airlines (the island's flag carrier) and KLM Royal Dutch Airlines began to fly to one another's capitals, thereby providing Taiwan with its first direct commercial air link with Western Europe. During June, Pan American World Airways defied warnings from Beijing and resumed its direct flights to Taipei that had been suspended since Pan Am became the first U.S. carrier to fly to the PRC. Here as well, the profits earned through commercial dealings with Taiwan stood in marked contrast with the continued disappointments in trade relations with the PRC.

Despite the improving atmosphere in U.S.-PRC relations, the Reagan Administration reiterated its commitment to close, if unofficial, ties with Taipei. Over continuing objections from Beijing about U.S. arms sales to the island, the United States announced that total military sales to Taiwan for 1983 would amount to \$800 million, principally in

surface-to-air missiles and spare parts for aircraft and tanks. Some sales of refurbished F-104 fighter aircraft were also announced. In addition, the United States made known its opposition to Taiwan's expulsion from membership in the Asian Development Bank as a price for admission of the PRC. But Taipei expressed growing concerns about the prospect of U.S. sales of defense-related technology to Beijing, since it was feared that an infusion of such technology would diminish Taiwan's qualitative edge over the PRC in their respective weapons systems, especially combat aircraft.

The continuing political rivalry between Beijing and Taipei was a far more immediate concern to leaders on the island. During July, the PRC publicized two separate offers from Deng Xiaoping that promised Taiwan substantial autonomy as an inducement to enter negotiations with Beijing, including renewed assurances that following reunification the island could maintain its present political institutions, armed forces, and capitalist practices. But leading officials on Taiwan denounced Deng's proposals as a ruse that would ultimately lead to PRC control over the island, and reiterated their opposition to any negotiations with Beijing as long as the PRC continued to espouse Marxism-Leninism as its official ideology.

Deng's overtures to Taiwan reflected mounting concern in Beijing with the succession to President Chiang Ching-kuo, the son of Chiang Kai-shek but now 73 years old and in declining health. The PRC feared that Chiang's passage from the scene portended the emergence of a successor leadership much less committed to the principle of a unified Chinese state. But the increasing political participation of the native Taiwanese who comprise 85 percent of the island's population had not led to major shifts in the island's politics. In early December legislative elections, the ruling Kuomintang (Nationalist Party) won 62 out of 71 seats, with several leading non-party independents defeated in their reelection bids. Although the campaign was conducted without major incident and with more than 63 percent voter turnout, the defeat of the regime's moderate critics and the victory of a small number of more vocal Taiwanese political activists renewed concerns about the longer-term prospects for political stability on the island.

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